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CENTRAL

INTELLIGENCE

BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

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DAILY BRIEF

I. THE COMMUNIST BLOC

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Communist China: The existence of some opposition within Communist China's armed forces to the militia and its primary use as a means of increasing production is indicated in an article in the 15 May issue of Red Flag by Lo Jui-ching, chief of Peiping's General Staff. The article, criticizing the views of "some persons" that the regular forces are sufficient to defend the country and that the militia is of no value in production, presents a long justification for current militia policies. Lo reaffirms recent declarations that "all militia activities should center on production."

II. ASIA-AFRICA

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Turkey: Tension has risen again following the clash in Izmir on 15 May between pro-Menderes and anti-Menderes demonstrators. [The ruling Democratic party appears to be planning a series of demonstrations throughout Turkey to show popular support for the premier. The opposition Republican People's party, which would almost certainly attempt to counter such demonstrations, believes the government might call a surprise election to take advantage of the present disruption of the opposition.] Menderes told a crowd of his supporters in Izmir that he wanted elections "as soon as possible."

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Afghanistan-USSR: The presence of Soviet engineers in southwest Afghanistan near the Iranian border suggests that Kabul is negotiating for Soviet aid for the construction of a new \$10,000,000 diversion dam projected by the Afghans for the lower Helmand River valley. Afghanistan had originally requested US assistance for this project. Iran's concern over lack of an

agreement with Afghanistan on division of the Helmand waters
will increase if the USSR decides to build this dam. [redacted]

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III. THE WEST

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N.D.
Uruguay: [President Nardone, head of Uruguay's new conservative government, has told Ambassador Woodward that he is inclined to accept a new Soviet trade proposal which expands for a three-year period Moscow's one-year oil-for-wool proposal of last November. The new offer includes an immediate cash purchase of \$13,000,000 worth of low-grade and defective wool--an attractive feature in view of Uruguay's critical foreign exchange situation and its problems in disposing of this season's wool clip.] [redacted]

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I. THE COMMUNIST BLOC

Peiping Armed Forces Chief Defends Militia Program

Lo Jui-ching, chief of Peiping's General Staff, has published a long justification for expanding the size and functions of Communist China's militia forces. The motive for the article--in the 15 May issue of Red Flag, theoretical journal of the Chinese Communist party--is indicated by Lo's criticism of the views of "some persons" who hold that the regular forces are sufficient for defense of the country and that militia organizations are of no value in the campaign to increase production. In refuting these views, Lo leans heavily on citations from the writings of Mao Tse-tung advocating a large and vigorous militia.

In an apparent attempt to placate those who oppose Peiping's militia program, Lo concedes that the regular forces are the "backbone in safeguarding national defense in peacetime and the main force in organizing and expanding armed units in wartime." He maintains, however, that the task of defending a country as large as China with inferior weapons necessitates arming all of the people.

Lo's article is the latest move in a campaign to enlarge the scope of the militia that has included two national conferences and numerous provincial conferences this year. The article reaffirms recent declarations that the principal mission of the militia at this time is participation in the drive to increase production both in agriculture and industry.

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II. ASIA-AFRICA

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Turkish Internal Situation

[The clashes between pro- and anti-Menderes elements in Izmir on 15 May may be followed by others throughout Turkey as the governing Democratic party (DP) attempts to demonstrate widespread support for the Turkish premier. Opposition Republican People's party (RPP) leaders anticipate that the Democrats will try to recoup recent losses of support by staging a series of pro-DP demonstrations in rural districts and outlying urban communities. A high-ranking RPP spokesman has warned that his party will attempt to stage counter-demonstrations against the government, relying to a large degree on the discontent spread by students who returned to their homes after the universities in Istanbul and Ankara were closed.]

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[The possibility that the government will call a surprise election has been voiced by RPP officials. An election held in the near future would pose serious difficulties for the opposition, which has been prohibited from engaging in political activity since 18 April when the Grand National Assembly established the commission to investigate the activities of the RPP. Menderes' statement in his speech in Izmir on 15 May that he wants elections "as soon as possible" will increase RPP fears that the premier may attempt to capitalize on the present weakened condition of his opposition.]

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Afghans Apparently Seeking Soviet Aid for Dam Project Near Iranian Border

Kabul is probably negotiating for Soviet aid for the construction of a new \$10,000,000 diversion dam projected by the Afghans for the lower Helmand River valley. Afghan Prime Minister Daud had originally requested US assistance for this project and had hinted he would turn to the USSR if American aid were refused. The presence of Soviet engineers during the past several weeks in southwest Afghanistan near the Iranian and Pakistani borders suggests the USSR had undertaken preliminary survey work and may soon reach a decision on building the dam.

Iran's concern over its inability to settle its dispute with Afghanistan regarding the division of the Helmand waters will be increased if the USSR decides to construct this dam. Iran probably would regard construction of the proposed dam as aimed at forcing it to accept what it regards as an unsatisfactory distribution of the waters.

Such an undertaking presumably could divert some personnel and resources of Afghanistan's Helmand Valley Authority now being used to develop agriculture in the more promising upper Helmand, where American assistance has been used for some years to construct irrigation dams and canals. The presence of Soviet engineers for several weeks in a provincial capital located in the US project area, and Afghanistan's dissatisfaction over the slow development of agriculture there suggest the further possibility that Soviet technicians and advisers may be employed to help speed up exploitation of newly irrigated lands in the upper Helmand.

Daud now has been visiting the USSR for a month and may have been influenced by Soviet views on problems and developments in his part of Asia. He may, therefore, be more willing than in the past to give the USSR a role in the development of the Helmand.

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Uruguayan Government Interested in New Soviet Trade Offer

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[Moscow's new trade offer to Uruguay apparently has aroused greater interest within the conservative Uruguayan Government than the November 1959 offer, chiefly because it involves an immediate Soviet cash purchase of \$13,000,000 worth of almost unmarketable wool, most of it low grade and defective. Uruguay's already critical foreign exchange situation is continuing to deteriorate despite the enactment last December of a foreign exchange reform law. Wool exports, which normally provide about half of Uruguay's foreign exchange, have slumped sharply as a result of flood damage to the current wool clip and resistance by wool producers to export taxes under the new law.]

[Under the new proposal, Moscow would purchase \$75,000,000 worth of wool over a three-year period if Uruguay would agree to buy \$50,000,000 worth of oil. On an annual basis, these amounts represent about 30 percent of Uruguay's total wool sales for 1958 and about half the country's annual crude oil requirements. The November proposal covered only one year, and the amounts involved were one third as great as those in the present offer.]

[The Uruguayan government which took office 13 months ago has indicated consistently that it would like to reverse the trend of the last few years toward greater dependence on Soviet markets, but has found no alternative. The Executive Council postponed a decision on Moscow's November offer, hoping it could get long-term credit from Western oil suppliers. The government also hoped its December foreign exchange reform law would provide the basis for extensive Western financial assistance. There are indications, however, that the government solicited the new Soviet offer, probably to gain some relief from its mounting troubles with economic reform.]

[Apparently Uruguay will seek some modifications in the Soviet offer--principally an increase in the amount of low-grade wool to be purchased immediately. The government may also request a reduction of the time period of the agreement from 36 to 18 months.]

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